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# CRS Report for Congress

## China As A Security Concern In Asia: Perceptions, Assessment, and U.S. Options

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## **CHINA IN TRANSITION: CHANGING CONDITIONS AND IMPLICATIONS FOR U.S. INTERESTS**

### **SUMMARY**

Americans disagree as to whether or not China poses a serious security concern for U.S. interests in peace and security in Asia and the Pacific. Many point to rising Chinese defense capabilities and assertive rhetoric to warn of Chinese military-backed expansion. Others judge that the main danger comes from China's weakness. They argue that the possibility of an emerging breakdown in government authority in China could prompt regional disorder and refugee flows seriously undermining Asian stability. Still others see the Chinese "threat" as grossly exaggerated. They stress that Beijing leaders are in control of the country and see their interests best served by accommodation to their richer and generally better armed neighbors.

An assessment of factors arguing in favor and against viewing China as a military threat concludes:

- o China's current military capabilities generally show little sign of China posing a direct threat to the United States for a decade or longer.

- o The main perceived danger over the next few years focuses on areas in the Asian-Pacific region where China and other countries important to the U.S. contest territorial claims. Examples include the South China Sea, Taiwan, and others.

- o Perceived Chinese expansionist designs to control these contested areas are currently held in check by limitations in China's military capabilities; insufficient justification in terms of important Chinese security, economic or political interests; and the likely negative foreign reaction to assertive Chinese action. Each of these factors is subject to change.

U.S. policy makers have a range of unilateral, bilateral and multilateral options for dealing with China's military power. They involve both positive steps (e.g. resumed high-level U.S.-Chinese military exchanges designed to reassure both sides' of the others' intentions) and negative measures (e.g. establishing regional security arrangements designed to curb China's military power).

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## CHINA AS A SECURITY CONCERN IN ASIA: PERCEPTIONS, ASSESSMENT AND U.S. OPTIONS

### INTRODUCTION

Congressional concern over China as a possible security threat to U.S. interests in peace and stability in the Asian-Pacific region has grown markedly in recent years. The end of the cold war undermined the previous, positive American view of Chinese military power in Asia. That view saw Chinese forces as a counterweight to suspected Soviet expansion. The collapse of the Soviet Union created a power vacuum and prompted policy recalculations by all powers concerned with Asian security.<sup>1</sup>

U.S. strategy after the cold war has reduced U.S. defense budgets and cut back on U.S. forward deployed forces, including those in the Asian-Pacific region. China's approach has been different. It has reallocated military resources away from past emphasis on countering the Soviet threat along the northern frontier. Beijing has placed new emphasis on upgrading Chinese military capabilities and projecting military power--particularly air and naval power--around the periphery of China. After a decade of declining resources in the 1980s, Chinese defense budgets began to rise substantially. Beijing also entered into negotiations with Russia and other potential suppliers of sophisticated military equipment or military-related technology. Several deals have been reached, resulting in the transfer of sophisticated Russian jet fighters and other equipment significantly increasing the power projection capabilities of Chinese defense forces.<sup>2</sup>

Known collectively as the People's Liberation Army (PLA), China's military has long been one of the largest military forces in the world. During the cold war, the United States tried to "contain" China through defense arrangements in Asia and the deployment of hundreds of thousands of U.S. troops around China's periphery. The Sino-U.S. rapprochement begun by President Nixon in the 1970s saw a more benign American view of Chinese military intentions. In the early 1980s, the United States entered into an increasingly close military relationship with China, resulting in American agreement to sell sophisticated military equipment including \$5 billion of technology and equipment to upgrade the capabilities of Chinese jet

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<sup>1</sup>For background, see, among others, *America's Role in Asia*, Asia Foundation, Center for Asian and Pacific Affairs, San Francisco, 1993, 60 p.

<sup>2</sup>See periodic coverage of these developments in the weekly *Far Eastern Economic Review*. For example, see article by Tai Ming Cheung, "China Buying Spree," in July 8, 1993 edition.

interceptors. Such sales were seen as useful in helping to stabilize the Asian-Pacific region in the face of Soviet power and aggression.<sup>3</sup>

The crackdown by the Chinese government, including major elements of the Chinese military, on pro-democracy demonstrators in Beijing and other Chinese cities in June 1989 had a major impact on American attitudes toward the Chinese government, and the Chinese military in particular. U.S. military sales and high-level U.S. contacts with the Chinese military were cut off as a signal of American opposition to the Chinese crackdown. Americans who had been hopeful that post-Mao Zedong China was moving inexorably toward greater economic reform and political openness now had a different view of China's prospects. In particular, they viewed Chinese communist authorities as determined to use the Chinese military as a coercive force to squelch dissent and maintain the communists' monopoly of power. American concern about China was reinforced by reports of Chinese arms sales and sales of sensitive military technology to unstable areas of the world. The Chinese sales appeared to challenge the arms control mechanisms favored by U.S. leaders in order to support stability in the post cold war international order.<sup>4</sup> Reports of China's extraordinary economic growth (12.8 percent in 1992) prompted added U.S. concerns that Beijing might use its growing economic power to buttress military expansion abroad.

Against this backdrop, many in Congress, the U.S. media and elsewhere discerned dangerous trends in China's recent military activities. Senate Majority Leader George Mitchell warned in introducing legislation on April 22, 1993 that the rise in defense budgets and the acquisition of sophisticated military equipment China "are rapidly transforming China into a major military power in Asia." He went on:

Such a threatening military transformation raises serious long-term national security concerns for the United States and our Asian allies.<sup>5</sup>

On June 11, 1993 the House Foreign Affairs Committee reported foreign policy legislation for the year with a pointed warning about the security situation in the Asian region. "Of greatest concern," it said, "are the arms sales of the PRC to countries of the region and the acquisition by the PRC of various power projection capabilities that lack any emergent threat to justify them."<sup>6</sup>

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<sup>3</sup>See Kerry Dumbaugh and Richard Grimmett, "Arms Sales to China: The Limits to U.S.-Chinese Military Cooperation," *The Washington Quarterly*, summer 1986.

<sup>4</sup>See, Chinese Missile and Nuclear Proliferation: Issues for Congress, by Shirley Kan. CRS Issue Brief 92056 (updated regularly).

<sup>5</sup>Congressional Record, April 22, 1993, p. S4826.

<sup>6</sup>U.S. Congress, Report 103-126, p. 91. It is important to note that the China threat did not figure prominently in the U.S. Defense Department's recent security review. See, DoD press release 403.93, September 1, 1993.

Meanwhile, American media treatment of Chinese military activities featured articles on the perceived Chinese military danger from such popular vehicles as *TIME* magazine ("Thunder Out of China"--cover story April 12, 1993). American foreign policy opinion leaders have given new focus to the Asian security balance and the role of the Chinese military in articles in such influential journals as *Foreign Affairs*.<sup>7</sup> Prominent international security commentator and Harvard University Professor Samuel Huntington warned of a potential Chinese link up with authoritarian regimes in the Middle East to form an alignment of like-minded "civilizations" that would pose the greatest challenge to U.S. foreign policy in the years ahead.<sup>8</sup>

While U.S. views of China's military danger to Asian and world stability have changed in recent years, recent media and other commentary have not provided a clear outline as to what are the current status, likely prospects and implications for U.S. interests of Chinese military developments. Indeed, American views contrary to those noted above are voiced by American leaders emphasizing a defensive intent of Chinese military developments and the need for the United States to resume close relations with the Chinese PLA. Most notably, as part of its shift toward a more "engaged" policy with China in late 1993, involving renewed regular high-level contacts between U.S. and Chinese leaders, the Clinton Administration in October 1993 resumed high level contacts with the Chinese military that had been cut off in the aftermath of the Tiananmen bloodshed. Administration officials were reported to have reassured the Chinese military and political leaders that they did not consider China to pose a military threat to the United States.<sup>9</sup>

This report is designed to help Members of Congress and their staff determine their views of China's military threat as they deliberate over U.S. policy toward China in the post cold war period. To provide perspective on this issue, the report first examines the wide range of ways China currently is seen as a threat or concern to U.S. security interests. The main section of the report follows, giving a balance sheet approach. It first assesses the factors supporting viewing China as a current or emerging security threat, and then reviewing factors that argue against viewing China as a current or emerging security threat. The time frame considered involves Chinese actions over the next 5-10 years.

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<sup>7</sup>Michael Klare. *The Next Great Arms Race*. *Foreign Affairs*, summer 1993.

<sup>8</sup>Samuel Huntington, "The Clash of Civilizations?" *Foreign Affairs*, summer 1993.

<sup>9</sup>This viewpoint was noted on several occasions during interviews in Washington, D.C. in 1993. See coverage in *Washington Post*, November 7, 1993, p. C. 3., and *New York Times*, November 3, 1993, p. 11. See also Atlantic Council and National Committee on U.S.-China Relations, *The U.S. and China Relations At A Crossroads*, February 1993, 46 p. It is important to note that the "China threat" did not figure prominently in the U.S. Defense Department's 1993 security review. See DoD press release 403.93, September 1, 1993.

On balance this report finds that if Chinese military activities are likely to threaten U.S. interests in Asian stability in the next few years, they are most likely to do so by asserting, through military means, Chinese control over claimed, disputed territory around China's periphery, especially in the South China Sea. It offers a brief analysis of the factors--pro and con--affecting a possible Chinese decision to resort to more forceful actions to defend their territorial claims in these areas.

To aid U.S. policymakers in assessing future Chinese actions, the report notes factors seen as likely to indicate a more or less assertive or threatening Chinese military posture. In conclusion, the report examines relevant U.S. policy options to deal with Chinese military developments.

The report is based on the variety of published sources cited throughout, but also benefitted greatly from 30 in-depth interviews conducted with experienced American, Japanese, Taiwan, Chinese, Hong Kong, Malaysian and other security specialists carried out in 1993.

## **HOW IS CHINA SEEN AS A SECURITY CONCERN TO U.S. INTERESTS--VARIED INTERPRETATIONS**

Interviews with U.S. and international security affairs specialists and a review of the wide range of analyses and commentaries on China's military and related activities show that China's security threat to U.S. interests is seen in distinct and sometimes contradictory ways.<sup>10</sup>

a. China's Military Threat. At present, there appears to be a general agreement among specialists that China does not pose a significant direct military threat to the United States. Its military, economic and other capabilities are seen as too limited to pose such a danger in the near future (5-10 years). A number of knowledgeable U.S. and foreign analysts see potential for China to challenge and possibly threaten the United States over the longer term (20 plus years). Of the nations of the world, in their view, China is among the very few that have the mix of economic, political and military factors that could lead to the emergence of national power capable of directly challenging the United States in the first half of the 21st Century.

In the interim, the main danger for U.S. interests coming from China focuses on U.S. interests in preserving and strengthening the peace and stability of the Asian-Pacific region. There is considerable debate among specialists as to whether or not China is likely to embark on an expansionist course disruptive to stability in the area. This debate, over China's ability and intent to threaten U.S. interests in Asian-Pacific stability, represents in the central question addressed in this report.

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<sup>10</sup>For background, see among others, Janes Intelligence Review, April 1993, Vol. 5, No. 4. James Lilley. Testimony before House Foreign Affairs Committee, May 20, 1993. U.S.-Japan Policy Dialogue on China: Security Issues, Asia Society, 1993, 46 p.



b. China as a proliferator of weapons of mass destruction, manufacturing technology for such weapons and related delivery systems. Chinese military strategy against both the United States and the Soviet Union focused during much of the Maoist period (1949-1976) on developing reliable, hard-to-locate weapon systems of mass destruction--i.e. nuclear missiles and bombs. These weapons gave Chinese leaders the option of a second strike against a stronger adversary and thus were seen to deter a feared preemptive nuclear attack, especially from the USSR. For many years, China shared such technology with a select group of countries, notably Pakistan, whose defense had a direct bearing on China's own national security. At the same time, China has a long record of selling materials, technology and related expertise in these sensitive areas for profit.<sup>11</sup>

In the past, U.S. and other western-aligned international observers tended to play down the consequences of these Chinese actions. They appeared more interested in sustaining a broadly cooperative relationship with Beijing in the cold war competition with the Soviet Union. U.S. views changed markedly in the post cold war environment. This occurred especially after the 1991-1992 U.S.-led allied confrontation with Iraq, which was suspected of developing mass destruction weapons in order to dominate world oil supplies. Fearful of having to confront authoritarian, expansionist leaders armed with nuclear or other mass destruction weapons and related delivery systems, U.S. officials now saw China's proliferation practices as a major threat to U.S. interests. American officials have had some success in recent years in leading international efforts to press China to adhere to international control regimes regarding nuclear weapons and related missile delivery systems. In this effort, they have used leverage provided by China's dependence on trade and other relations with the U.S. and other developed countries concerned with proliferation.

c. China's Economic Threat. The strength, size and vibrancy of the Chinese economy have attracted positive international attention but also has caused considerable uneasiness among China's major trading partners, notably Japan. Although China's economy also was large and grew rapidly in the Maoist period, the regime's "self reliant" development strategy meant that Chinese interaction with the world economy was limited and therefore the consequences of developments in China for other nations were generally not large.

The post-Mao economic reforms have changed that situation.<sup>12</sup> On the one hand, the Chinese economy is larger than ever and is growing at a rate surpassing that of the Maoist period and mirroring the rapid rise that some other Asian countries experienced during economic "take off" in the latter 20th century. At the same time, the Chinese "open door" policies have put aside Maoist autarchy in favor of integrating the Chinese economy with the vibrant economies of Asia and the world. In the past 15 years, Chinese foreign trade

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<sup>11</sup>See CRS Issue Brief 92056, op. cit.

<sup>12</sup>See, most recently, CIA, China's Economy in 1992 and 1993: Grappling with the Risks of Rapid Growth, July 30, 1993, 42 p.

and foreign investment in China have grown at rates far surpassing China's overall economic growth rate. The Chinese economy today depends more on foreign trade than other large countries like Russia, India and Brazil, and even more than the United States and Japan. China is now among the top 15 world traders and rising fast. Much of this trade stems from investment from inside China and from abroad in manufacturing industries designed to produce goods for export. To a considerable degree, China has become a manufacturing platform for exports to many countries of the world, notably the United States which absorbs one third of Chinese exports.

Against this background, analysts in Asia and the west sometimes see China's economic power and potential as a current or prospective threat to Asian stability or the stability of international commerce in certain commodities. They especially worry about suspected Chinese efforts to direct their manufacturing capabilities into world markets sensitive to them. As one Japanese industrialist said at a public meeting in Osaka in June 1993, "China has the potential to produce 20 million color television sets a year; Japan will have to adjust."<sup>13</sup>

In this view, the size, scope and capabilities of the Chinese economy, when combined with the fact that the economic system in China remains subject to state control and direction in several important respects, means that China is seen as having a great ability to "surge." This involves targeting production in certain areas, dominating markets and causing major disruption and dislocation for trading partners and competitors. Of course, the larger and more resilient world economies (e.g. the U.S., Japan) doubtless are better able to adjust to Chinese growth, but others (e.g. Taiwan) may find themselves too small and vulnerable to adjust gracefully to a directed or predatory Chinese economic initiative.

d. The Threat of a Weakened China. Seemingly at odds with above lines of analyses, which stress China's growing military or economic power, is the view widely held in Asia which worries about the dangers to Asian stability posed by a markedly weakened China.<sup>14</sup> The concern focuses on a possible breakdown in government authority in China, such as was seen in a number of communist countries in recent years. The size and scope of problems in China suggest that such a breakdown could be accompanied by large scale economic dislocation, armed conflict and massive outflows of migrants. For the crowded

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<sup>13</sup>U.S. Information Service Forum on Asian Issues, Osaka, Japan, June 4, 1993.

<sup>14</sup>This view was held by the majority of Japanese participants at a U.S.-Japan conference on China sponsored by the Japan Institute of International Affairs, Tokyo, July 14-16, 1993.

There are, of course, still other ways to view China as threatening. One reviewer opined that China has become a major danger to U.S. security through espionage and purchases of sensitive U.S. military related technology. Faxed message, December 20, 1993.

and often strongly homogeneous countries along China's eastern rim, and for the sparsely populated and poorly controlled countries to China's north and west, such outflows of migrants would pose a national security threat of the first order. Asian analysts recall the massive difficulties caused to the relatively less crowded countries of southeast Asia by the exodus of one million "boat people" from Vietnam in the late 1970s and early 1980s. They expect that since China's population today is 20 times that of Vietnam at that time, any significant outflow from China would have major consequences for the entire region.

## **FACTORS FAVORING VIEWING CHINA AS A CURRENT OR EMERGING THREAT**

Several developments in recent years have contributed to a view of China as an emerging threat to U.S. security interests. They involve China's accelerated military buildup and expanding armed presence, assertive warnings on a number of disputes, and history of using force to settle disputes. They can be divided into two broad groups: developments in China's military capabilities and development in Chinese intentions.

### **Capabilities**

#### Higher Priority for Defense/Growth In Defense Spending

China's defense spending has grown markedly since the PLA played a key role in cracking down on political dissent at Tiananmen Square and other parts of China in 1989. Analysts have viewed the spending increase partly as a reflection of party leaders' concern to beef up the capabilities and insure the loyalty of the PLA during a period of crisis. By 1990, the communist leadership was no longer speaking of military modernization as something that would follow economic modernization, as had been the case for most of the previous decade. Rather, the party leadership endorsed "stepped up" efforts in national defense along with economic development.<sup>15</sup>

The end of the cold war and collapse of the Soviet Union in 1991 were duly noted by Chinese planners but resulted in no slackening in Chinese defense increases. Reports suggested that Chinese planners were alarmed by the results of the 1991-1992 Persian Gulf War, which showed how backward and vulnerable Iraqi forces were in the face of modern western firepower. There were many parallels between Iraqi and Chinese force structures, and Beijing planners were reportedly determined to increase spending to modernize the abilities of their forces to deal with western arms.

The proof of China's shift in emphasis was seen in official defense spending statistics. After declining during the 1980s, China reported defense spending

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<sup>15</sup>For background about the development of the Chinese military up to late 1991, see China's Military: Roles and Implications for U.S. Policy Toward China, by Shirley Kan. CRS Report 91-731, October 3, 1991.

has increased by over 10 percent every year since 1989 and by 1993 had reached \$7.4 billion.<sup>16</sup>

China's actual military expenditures may be two to three times the official budget for defense. This is because additional resources come to the PLA from other ministries' budgets, arms sales profits, and civilian businesses owned or managed by the PLA.

The latter source is hard to estimate but is clearly growing in importance for Chinese defense spending. China boasts of significant defense "conversion" since reforms began more than a decade ago, and reports that civilian products account for about 65 percent of total output value of the defense industry enterprises.<sup>17</sup> China has actually diversified the products of many such enterprises, while maintaining certain weapons production lines and selling arms. The military has profited from its control over transportation networks, airports, and ports. PLA business ventures include Beijing's five-star Palace Hotel and other hotels. Other major defense companies include China Great Wall Industry Corporation which offers satellite launching services to foreign customers. The Poly Group Corp. is run by the PLA's General Staff Department, while the General Logistics Department has Xinxing Corp. China National Nuclear Industry Corp. has contracts to build nuclear power reactors in Pakistan and Iran. Norinco sells arms abroad, including AK-47 semiautomatic rifles in the United States.<sup>18</sup> In 1990, the United States prevented CATIC (China Aero-Technology Import and Export Corp.) a PLA-connected company from acquiring a U.S. aviation company that would have provided the PLA with restricted technology subject to export controls.<sup>19</sup> PLA-supported companies (from large conglomerates to small operations) may number more than 20,000 and the number is growing.<sup>20</sup>

Regarding foreign arms sales, China emerged in the 1980s as the fifth ranked arms supplier to the Third World. The total value of Chinese

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<sup>16</sup>See sources noted below as well as Tai Ming Cheung, "The Interaction between Economics and Security for China's External Relations," San Diego, Conference Paper, May 1993.

<sup>17</sup>See among others coverage in *Far Eastern Economic Review*, October 14, 1993.

<sup>18</sup> John Pomfret, "Chinese Army Now Major U.S. Arms Merchant," *Washington Post*, March 4, 1993. However, since July 1989, semiautomatic assault rifles have been barred from importation into the United States.

<sup>19</sup> Andrew Rosenthal, "Bush, Citing Security Law, Voids Sale of Aviation Concern to China," *New York Times*, February 3, 1990, p. 1.

<sup>20</sup> Tai Ming Cheung, "Serve the People," *Far Eastern Economic Review*, October 14, 1993, p. 64.

conventional arms deliveries to developing countries in 1985-1992 is estimated at \$12.3 billion.<sup>21</sup>

In addition to profits flowing to the PLA, China has also amassed significant foreign reserves which might be directed to military modernization. Chinese foreign exchange reserves reached an estimated \$46 billion in 1992 (the sixth largest in the world).<sup>22</sup> China has also gained hard currency from increasing trade surpluses. The U.S. trade deficit with China, for example, has increased to \$18.2 billion in 1992 (second only to Japan) and was expected to rise to more than \$23 billion in 1993.<sup>23</sup>

#### Acquisitions of Foreign Advanced Weapons.

China has been able to channel some of its increased defense budget and substantial hard currency earnings to procurement of advanced weapons abroad. Denied U.S. arms since 1989, China has purchased Russian fighters, other aircraft, and other more advanced weapons technology. Russian arms sales in 1991-92 to China totaled about \$2 billion. In addition, sensitive technology transfers, including advanced missile and nuclear technology, may be taking place through at least 1,000 Russian military and scientific experts recruited to work for China.<sup>24</sup> Significant Israeli transfers to China have also been reported by the CIA.<sup>25</sup> China is believed to be focused on obtaining a greater power-projection capability, centered on superior air cover and a blue water navy. In addition, sales to China of advanced missile and nuclear technology (from Russia) pose concerns for U.S. policymakers, in part because of the potential for retransfer to buyers of Chinese supplies.

Some consider China's arms purchases to be the cause of an imbalance of power in Asia, particularly in the Taiwan Strait.<sup>26</sup> Arms sales, such as U.S. F-

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<sup>21</sup> Richard F. Grimmett, "Conventional Arms Transfers to the Third World, 1985-1992" (CRS Report for Congress), July 19, 1993.

<sup>22</sup> International Monetary Fund, *International Financial Statistics*.

<sup>23</sup> See, for example, "China-U.S. Trade Issues" (CRS Issue Brief), by Wayne M. Morrison, updated regularly.

<sup>24</sup> John Fialka, "U.S. Faces China's Success in Skimming Cream of Weapons Experts from Russia," *Wall Street Journal*, October 14, 1993, p. A12.

<sup>25</sup> The CIA's response to questions from the Senate Governmental Affairs Committee (hearing date February 24, 1993) states that more than a decade of acquiring defense technologies from Israel may have cost China "several billion dollars." Israeli Prime Minister on October 13, 1993, acknowledged Israeli arms sales to China, estimating their value in 1992 to be \$60 million.

<sup>26</sup> Michael T. Klare, "The Next Great Arms Race," *Foreign Affairs* (Summer 1993), highlights a competition for arms in Asia and that "the China-Taiwan nexus probably constitutes the most vibrant arms market in the world today."

16A/B and French Mirage fighters, to Taiwan are meant to deter Chinese aggression and maintain stability, they say.

Major PLA acquisitions reported since 1990 have been:<sup>27</sup>

- 24 Mil Mi17 helicopters from the Soviet Union
- 26 Su-27 Soviet fighters from Russia worth about \$1 billion, based at Wuhu (100km south of Nanjing); negotiating an additional 26 Su-27s
- 10 Il-76 heavy transport planes from Russia
- 50 T-72 tanks from Russia
- In-flight refueling technology (perhaps from Israel, Russia, or Iran)
- Up to 100 Russian S-300 surface-to-air missiles (similar to the Patriot), with 4 mobile launchers
- Rocket engines and missile guidance technology from Russia
- Uranium enrichment technology and nuclear reactors from Russia
- AEW (airborne early warning), missile (SSMs, SAMs, and AAMs), and tank armor technology from Israel
- U.S. Stinger anti-aircraft missiles (perhaps from Pakistan)
- 100 Klimov/Sarkisov RD33 jet engines from Russia
- Avionics for F-8II fighters from the U.S. (delivery in December 1992 for pre-1989 sale)
- Artillery munitions production equipment from the U.S. (delivery in December 1992 for pre-1989 sale)
- 4 AN/TPQ-37 artillery locating radars from the U.S. (final delivery in December 1992 for pre-1989 sale)
- 4 Mark 46 MOD 2 anti-submarine torpedoes from the U.S. (delivery in December 1992 for pre-1989 sale)

In addition, China is reportedly discussing other weapons purchases:

- MiG-31 fighters from Russia (may include production technology)
- Tu-22M bomber (4,000km range, air-refueling capability) from Russia
- Il-76 airborne warning and control system aircraft from Russia
- 2-4 Kilo-class conventional submarines from Russia
- Kiev-class aircraft carrier (38,000-tons) from Russia
- AEW (airborne early-warning) system possibly from Russia

Expanded Military Presence In Asia. Recent military construction by the PLA has indicated a continued strategy to expand military influence over contested waters in southeast Asia. Chinese efforts to expand its military presence in contested areas increase the chances of armed conflict with Asian neighbors.

The PLA has reportedly deployed three Romeo-class submarines from the North Sea Fleet to the South Sea Fleet, in order to patrol the disputed South China Sea.<sup>28</sup> (See map of disputed Spratly islands provided by Office of the Geographer, Department of State, 1992). In June 1992, China signed an oil

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<sup>27</sup>This information has been reported in Western press articles and articles in specialized journals in the U.S. and abroad.

<sup>28</sup> *Far Eastern Economic Review*, April 8, 1993, p. 9.

exploration agreement with the American company, Crestone Energy Corp., for an area in the South China Sea claimed also by Vietnam. Such a venture might provide the PLA with a pretext to act militarily in the disputed waters. Crestone's chairman stated that Chinese officials assured the company that it will be protected with China's "full naval might."<sup>29</sup> China also has built an airbase on one of the Paracel Islands (Woody Island) in order to extend its air patrol capability over the Spratly's.<sup>30</sup>

There are also signs that China is seeking to obtain a military presence close to the Indian Ocean, through its neighbor and arms recipient, Burma. China is reportedly building a base in Burma on an island in the Bassein River, close to India's Andaman Islands. According to Japanese sources, the PLA would be able to use the facility. In addition, China is constructing a radar station on the Coco Islands, north of the Andamans.<sup>31</sup>

Ballistic Missiles and Nuclear Weapons. China is continuing to modernize its nuclear forces, called the Second Artillery. China's nuclear testing in the last two years shows a determined program to upgrade its nuclear weapons despite the end of the cold war. In 1992, China conducted two nuclear tests, including its largest underground nuclear blast on May 21, 1992. The latest Chinese nuclear test, on October 5, 1993, was conducted in spite of a global moratorium on nuclear testing by the United States, Russia, France, and the United Kingdom in an effort to achieve a comprehensive nuclear test ban. President Clinton, in a September 17, 1993, personal appeal to the Chinese not to test, noted that "there is no reasonable threat to China from any other nuclear power."<sup>32</sup>

China is believed to be developing new ballistic missile systems with improved accuracy and guidance, greater range, and multiple warheads. A new supersonic bomber, Hong-7, is under development. A more advanced submarine launched ballistic missile, Julang-2, is also being developed.<sup>33</sup> Some believe that China is developing new tactical as well as strategic nuclear warheads. The Chinese have developed the M-9 (600 km) and M-11 (300 km) short range ballistic missiles that can have nuclear or conventional warheads. Chinese nuclear doctrine on the use of tactical weapons has not been clear.<sup>34</sup>

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<sup>29</sup> Nicholas D. Kristof, "China Signs U.S. Oil Deal for Disputed Waters," *New York Times*, June 18, 1992, p. A8.

<sup>30</sup> *Far Eastern Economic Review*, August 13, 1992, p. 16.

<sup>31</sup> *Far Eastern Economic Review*, August 26, 1993.

<sup>32</sup> *New York Times*, September 18, 1993.

<sup>33</sup> See, for example, *Bulletin of the Atomic Scientists* (November 1993).

<sup>34</sup> Richard Fieldhouse, "China's Mixed Signals on Nuclear Weapons," *Bulletin of the Atomic Scientists*, May 1991.

## Intentions

Regional Dominance/Global Influence. Many believe that China's goals in building up its military include gaining regional dominance, in the sense that China would have influence or control over developments in Asia. China's views on regional developments, however, may conflict with the interests of the United States and its allies, such as Japan. Adhering to a balance of power perspective on world politics, many Chinese leaders see building China's military capability as necessary to check Russian, Japanese, and U.S. influence in Asia. In addition, the lessons of the Persian Gulf War, as perceived by them, are that modern warfare requires high-tech weapons, and a country with great power status must have high-tech weapons. According to this view, China can be expected to use military power (including upgraded nuclear capability) to back its political claims to world power status and to help to check U.S. global influence when it conflicts with Chinese aspirations.<sup>35</sup>

Actions on Sovereignty Disputes and Offshore Resources. China has issued warnings on the possible use of force to settle several disputes, including the South China Sea, Taiwan, and Hong Kong. Chinese claims to much of the South China Sea extend close to Southeast Asian countries and include the contested Spratly and Paracel Islands.<sup>36</sup> Taiwan, Vietnam, the Philippines, Malaysia, and Brunei also claim all or part of the Spratlys, while Vietnam and Taiwan also claim the Paracels.<sup>37</sup> In addition to disputes in the South China Sea, Japan, Taiwan, and China have claimed the Diaoyu (in Chinese) or Senkaku (in Japanese) Islands. Tensions increased in February 1992, when China issued a Territorial Waters Law formally declaring Chinese sovereignty over disputed areas, including the South China Sea and Diaoyu/Senkaku Islands. The law also specifically authorized the PLA to enforce the claims by force.

While the PRC has not ruled the island of Taiwan, Beijing has claimed that Taiwan is a part of China and should be "reunified" either peacefully or through the use of force if necessary. On August 31, 1993, Beijing issued for the first time a "White Paper on Taiwan," reiterating what Beijing sees as its right to reserve a military option for resolving the dispute.<sup>38</sup>

Regarding Hong Kong, China on September 23, 1993, issued Deng Xiaoping's statement to then British Prime Minister Margaret Thatcher in 1982.

<sup>35</sup>See among others, sources noted in footnote 10.

<sup>36</sup> See, for example, "East Asia: Disputed Islands and Offshore Claims -- Issues for U.S. Policy" (CRS Report 92-614S), by Robert Sutter, July 28, 1992.

<sup>37</sup> Then-Secretary of State James Baker reiterated the U.S. policy on this dispute at a meeting with ASEAN (Association of South East Asian Nations) ministers in July 1992. Washington does not side with any claimant, but wants a peaceful resolution of the dispute and freedom of navigation in the South China Sea. See CRS Report 92-614S, op. cit.

<sup>38</sup>Xinhua News Agency, August 31, 1993.



Chinese publications quoted Deng's warning that China would "reconsider the timing and manner of the takeover," if there were serious "disturbances" in Hong Kong during the transition to change in sovereignty.<sup>39</sup>

PLA modernization is also intended to secure Chinese economic interests in offshore resources. The South China Sea is believed to hold oil and gas reserves, although substantial exploration still needs to be completed. Vice Admiral Zhang Xusan of the PLA Navy said "it is high time for China to readjust its maritime strategy and make more efforts to recover the oil and gas resources in the South China Sea."<sup>40</sup>

Willingness to Use Force. Since its founding in October 1949, the PRC has opted to use armed force in a number of disputes, rather than pursue a peaceful, negotiated settlement. Examples include:

- Takeover of Tibet (October 1950-October 1951): After the civil war against Republic of China forces on the Chinese mainland, the PLA expanded its control to Tibetan areas and has since maintained control.<sup>41</sup>
- Korean War (1950-53): The PLA entered the Korean War in October 1950 to support North Korean troops against the U.N. forces led by the United States.<sup>42</sup>
- Taiwan Strait Crisis (1954-55): The PLA in September 1954 launched heavy artillery attacks on the offshore island of Quemoy and in November, PLA planes bombed and subsequently occupied the Tachen Islands. The United States signed the Mutual Defense Treaty with the Nationalist government on Taiwan on December 2, 1954.<sup>43</sup>
- Second Taiwan Strait Crisis (1958): The PLA engaged in artillery attacks on two offshore islands (Quemoy and Matsu) held by the Nationalists and threatened American naval ships.<sup>44</sup>

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<sup>39</sup>Xinhua News Agency, September 23, 1993.

<sup>40</sup> *China Daily*, April 6, 1992, p. 4

<sup>41</sup> See among others *A History of Modern Tibet, 1913-1951*, by Melvyn C. Goldstein (University of California Press, 1989).

<sup>42</sup> See Allen S. Whiting, *China Crosses the Yalu* (Stanford University Press, 1960); and Harlan W. Jencks, *From Muskets to Missiles: Politics and Professionalism in the Chinese Army, 1945-1981* (Westview Press, 1982).

<sup>43</sup> See among others, Roderick MacFarquhar, *Sino-American Relations, 1949-71* (Praeger Publishers, 1972).

<sup>44</sup> Ibid.

- Sino-Indian Border War (1962): In October 1962, the PLA launched attacks on two disputed areas along the Sino-Indian eastern and western borders. In the west, the PLA expanded its line of control to include the Aksai Chin, considered strategically important to China because Chinese workers had built a road through the area to connect western Tibet with Xinjiang.<sup>46</sup>
- Vietnam War (1964-70): When the U.S. escalated military action in 1964, the PLA, among other support, deployed warplanes and large numbers of troops in North Vietnam, conducted joint air exercises with the North Vietnamese, launched antiaircraft artillery on American planes, provided direct military aid, and protected North Vietnamese troops and warplanes along the Sino-Vietnamese border.<sup>46</sup>
- Sino-Soviet Border Clash (1969): The Soviet Union and China clashed in the disputed Amur-Ussuri border area in March 1969, after PLA troops intruded to stake their claim on Damansky/Chen Pao Island.<sup>47</sup>
- Paracel Islands (1974): In 1974, the PLA took control of several disputed Paracel Islands in the South China Sea by forcefully ousting South Vietnamese forces which had occupied the islands for many years. The PLA takeover occurred before North Vietnam could occupy the Paracels after the country's unification in 1975.<sup>48</sup>
- Sino-Vietnam Border War (1979): In February 1979, after failing to deter Vietnam's invasion of Cambodia, China dispatched the PLA in a limited, one-month invasion of Vietnam, "to teach Vietnam a lesson."<sup>49</sup>
- Sino-Indian Border Skirmishes (1986-87): In 1986, India reported that PLA troops intruded into Indian territory beyond the line of control established at the end of the 1962 war. In talks with U.S. Defense

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<sup>45</sup> Gerard H. Corr, *The Chinese Red Army: Campaigns and Politics since 1949* (Schocken Books, 1974); and Neville Maxwell, *India's China War* (Jonathan Cape Limited, 1970).

<sup>46</sup> Robert S. Ross, *The Indochina Tangle: China's Vietnam Policy 1975-1979* (Columbia University Press, 1988); and Harlan W. Jencks (1982).

<sup>47</sup> See Corr (1974).

<sup>48</sup> See Ross (1988); and Robert G. Sutter, "East Asia: Disputed Islands and Offshore Claims--Issues for U.S. Policy" (CRS Report), July 28, 1992.

<sup>49</sup> Ross (1988).

Secretary Weinberger in October 1986, Deng Xiaoping threatened to teach India a lesson" if India did not stop "nibbling" at Chinese territory.<sup>60</sup>

- Spratly Islands (1988): In March 1988, the PLA forcefully ousted Vietnamese forces and took control of six islands in the Spratly's.<sup>61</sup>

## FACTORS ARGUING AGAINST VIEWING CHINA AS A CURRENT OR EMERGING THREAT

### Capabilities

Despite the recent buildup, many analysts tend to depict the PLA as a demonstrably backward force. It is depicted as trying not to fall further behind the more advanced technological abilities of China's neighbors, while facing a political situation at home that still emphasizes economic modernization over defense spending.<sup>62</sup>

The roots of China's defense backwardness go deep into the Maoist period and the prolonged confrontation with the Soviet Union. At that time (1960s-1980s), China's defense depended on a military strategy heavily reliant on ground forces that expected to engage the invading enemy on Chinese territory. China gave special attention to the development of a reliable nuclear counterattack capability, mainly through mobile nuclear tipped missiles, to deter the Soviets from using nuclear weapons against China. Apart from such missiles, the PLA's ability to project power beyond its borders remained limited. The Navy and Air Force were weak in power projection, remaining focused respectively on coastal defense and air interdiction of intruding enemy forces.<sup>63</sup>

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<sup>60</sup> David Bonavia, "Troubled Frontiers," *Far Eastern Economic Review*, September 4, 1986, p. 14-15; Nayan Chanda, "Heading for a Conflict," *Far Eastern Economic Review*, June 4, 1987, p. 42-43; and Robert G. Sutter and Richard P. Cronin, "China-India Border Friction: Background Information and Possible Implications" (CRS Report), June 19, 1987.

<sup>61</sup> Jerry Cushing, "Beached Again on Shoals," *Far Eastern Economic Review*, March 17, 1988, p. 23-25; *Far Eastern Economic Review*, March 24, 1988, p. 10, and August 13, 1992, p. 15.

<sup>62</sup> This view does not get the media attention of that which sees China as an security threat. However, it was featured prominently in interviews conducted in 1993 and was voiced by several experts at a Japan Institute of International Affairs Conference on China, July 1993 and at an Institute for International Security Studies conference on China's military, Hong Kong, June 1993.

<sup>63</sup> For useful overviews of Chinese military developments during this period, see the military chapters in the U.S. Congress. Joint Economic Committee, "China Under the Four Modernizations" (1982); "China's Economy Looks Toward the Year 2000" (1986); and "China's Economic Dilemmas in the 1990s" (1991).

Weaknesses in power projection were graphically illustrated during China's military incursion into northern parts of Vietnam in early 1979.<sup>54</sup> The incursion was designed to "punish" Hanoi for invading Cambodia the previous December and to divert Vietnamese military attention from possible expansion against Thailand or elsewhere in Southeast Asia. The Chinese succeeded in diverting few Vietnamese main force units. The PLA had to contend with the well seasoned Vietnamese militia forces in the region.

Beijing's biggest obstacle turned out to be the PLA's cumbersome force structure, obsolete strategy and outdated weapons. Although enjoying a large numerical superiority over the smaller Vietnamese air force, the Chinese chose not to employ air power to assist the advance. Western analysts suspected the reason was Beijing's inexperience in combined arms operations, along with a fear of losing many expensive aircraft to Vietnamese ground fire and fighter aircraft. The resulting Chinese assault took on features of the plodding artillery-infantry advances seen along the Eastern and Western fronts during World War I. The Vietnamese militia acquitted themselves well, holding and then slowly withdrawing from local strong points and imposing heavy casualties on the Chinese invaders. When PLA forces withdrew after one month of operations, their casualties were in the range of 30,000.

Chinese planners endeavored to learn from the Vietnamese experience. A major realignment of China's military strategy begun in the mid-1980s shifted the PLA away from past emphasis on a major war with the USSR and placed more emphasis on mobile warfare, combined arms operations and more modern military equipment. But defense budgets and defense spending were on the decline throughout the decade. The U.S. Arms Control and Disarmament Agency estimated that actual Chinese defense spending in 1989 was 25 percent less than actual Chinese defense spending in 1979.<sup>55</sup>

Chinese procurement specialists tried to put their limited budgets to good use. Extensive lists were drawn up by PLA leaders anxious to acquire more advanced weapons systems useful for the type of smaller scale warfare and power projection needs anticipated by Chinese leaders. Nonetheless few deals were actually made, and those that were made often involved the upgrading of existing Chinese platforms (planes, ships, tanks etc.) with more advanced avionics, fire control systems, guns etc.

Several of these arrangements did not work as planned. For example, the mid-1970s sale of British "Spey" engines for use in the Chinese derivative of the MIG 21 fighter--the mainstay of China's air defense -- eventually saw Chinese officials decide to abandon plans to incorporate the foreign power plant. This costly failure appeared to demonstrate that Beijing still has not worked out the defects in the Chinese MIG 21 engine which have made Chinese reluctant to use the planes extensively, in part for fear of rapid engine burnout. Meanwhile, the

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<sup>54</sup>See sources cited in footnote 45.

<sup>55</sup>U.S. Arms Control and Disarmament Agency, World Military Expenditures and Arms Transfers, 1990. Table I.

Chinese plan to upgrade the F-8 jet interceptor with U.S. technology was thrown over by U.S. sanctions on such military sales after the 1989 Tiananmen crackdown.

What upgrades and purchases have taken place or are planned often show little sign of substantially improving Chinese military capabilities, especially in sensitive areas of power projection. Notable continuing Chinese limitations include:<sup>66</sup>

- o A large (100) submarine force with very dated boats (as many as one half may no longer be operational); difficulty in communications adds to reasons for keeping boats close to shore. China's record of fatal sub accidents is among the worst in the world, especially given the limited amount of time such boats actually spend at sea.

- o A large (5,000) jet fighter and bomber force based--at best--on early 1960s Soviet derivatives that are often mechanically unreliable and therefore are restricted in use.

- o A decades-long Chinese search for a reliable air refueling system that would extend the very limited range of Chinese aircraft.

- o Infrequency of live-fire exercises and other activities that prepare the armed forces for actual combat.

- o Continued weak command and control systems--this argues for caution in deploying forces far from headquarters.

- o Relatively few transport helicopters to assist force mobility; continued reliance of World War II type land and sea based movement for deployment of troops.

The lessons of the Persian Gulf war 1991-1992 are seen to underline China's relatively weak capabilities in critical areas. The ability of well trained Western forces armed with high technology weaponry to conduct effective combined arms operations against Iraqi forces showed Beijing how far behind it actually was in dealing with modern warfare. Beijing leaders are well aware that Chinese forces continue to have much more in common with those of Saddam Hussein than with the West. It is clear as well that the forces deployed around China's eastern periphery (especially those of Japan, South Korea and Taiwan) and to a lesser degree some forces in Southeast Asia (notably Singapore's) have the kind of fire power, mobility, training and experience that the allies used so successfully against Iraq.

Although Chinese defense budgets began to go up to help redress some of the problems in capabilities, Chinese defense spending has been negatively affected by the rapid drop off in Chinese arms sales abroad in recent years.

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<sup>66</sup>Details of China's Force Structure are listed in *The Military Balance, 1993-1994*. IISS, London, 1993.

The decline in sales stemmed from the loss of the Iran-Iraq market following the termination of that war, and the desire of most foreign buyers to obtain equipment more advanced than that sold by China.<sup>67</sup>

Chinese military capabilities also have suffered in a relative sense because many of China's neighbors--especially to the East and South--continue to outpace China in terms of defense technology, modernization and relative defense spending:<sup>68</sup>

- o Throughout the 1980s, Japan, South Korea and Taiwan all experienced continuous increases in military spending, at a rate of 4-5 percent a year. China's military spending steadily declined in the same period.

- o In the 1980s, most East Asian countries began to incorporate sophisticated weapons more capable of power projection into their armed forces. Japan and South Korea moved this way first, in the late 1970s and early 1980s, followed by Taiwan, Singapore, Malaysia and Indonesia. In this respect, China's recent upgrading can be seen as an effort trying to catch up. A few examples include:

- o Japan's AEGIS destroyers, new submarines and air refueling tankers--all designed to help defend sea lines of communication to 1,000 miles around Japan;

- o Taiwan's acquisitions of F-16 and Mirage fighters, French and American advanced frigates and new U.S. air defense systems;

- o South Korea's acquisition of F-16 fighters, new submarines, frigates and helicopters

All ASEAN states, with the possible exception of the Philippines, have been upgrading naval and air force capabilities related to their switch from past focus on home/coastal defense to current emphasis on providing a greater range of striking power and force projection. All except Malaysia and Brunei have purchased F-16 aircraft and moved to phase out current F-5 fighters. Singapore has acquired 8 F-16s and is considering buying more; Indonesia is getting 12 and may increase the number; Thailand is getting 18 F-16s; Malaysia purchased a few F-18s from the U.S. along with some MIG 29s from Russia. In naval capabilities, Indonesia has purchased 6 Van Speijk-class frigates, and plans to buy as many as 12 FG-90 class frigates starting from the mid-1990s. Malaysia is buying two sophisticated frigates from Britain, while Thailand has

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<sup>67</sup>See, Conventional Arms Transfers to the Third World, 1985-1992, Richard Grimmett, CRS Report 93-656F, July 19, 1993, 84 p.

<sup>68</sup>See among others, Michael Klare, "The Next Great Arms Race," Foreign Affairs, summer 1993, Hu Weixing, "Economic Growth, Defense Industries, and Armament Dynamic: Interpreting the Military Building in East Asia, conference paper, May 1993. Wang Qi, "The Chinese Perspective on Multilateral Security Arrangements in the Asia-Pacific Region," conference paper, May 1993.

commissioned two Chinese built frigates. Singapore has fitted six of its 24 fast attack craft with Harpoon surface-to-surface missiles. Brunei is considering buying three missile carrying patrol boats from Britain.<sup>59</sup>

## Intentions

Although aspirations to greater power and military superiority may dominate some of the private thoughts and public pronouncements of certain Chinese leaders, the fact remains that Chinese leaders continue to face a number of considerations that offset or moderate any expansionist intent. Heading the list is the logic which has dominated Chinese international security and foreign policies in the post-Mao period:<sup>60</sup>

- o Post-Mao Chinese communist leaders need to foster a better economic life for the people of China in order to legitimate and justify their continued monopoly of power. These leaders cannot rely as Mao did on enormous personal prestige as a successful revolutionary, or on the attractiveness of communist ideology. They have little of Mao's prestige and the attractiveness of communist ideology is largely a thing of the past.
- o China depends critically on foreign trade, and related foreign investment and assistance, for its economic development.
- o China depends particularly heavily on its neighbors for aid, investment and trade benefits, and on the United States to absorb its exports.
- o Therefore, to insure their survival politically, post-Mao leaders emphasize their concern with maintaining a "peaceful" international environment which assures continued trade, investment and assistance flows so important to Chinese economic well being.

According to this view the bottom line as far as China's international security and foreign policies are concerned is that Chinese leaders are not inclined to confront those countries so important to China's economic modernization. A case in point relates to Chinese policy toward the United States since the Tiananmen incident. Despite what Beijing views as repeated American affronts and insults to the Chinese communist regime, the Chinese government sees its interests best served by continuing an accommodating posture toward the U.S. The same reasoning holds true for China's relations with Japan and other Asian neighbors, although they, for their own reasons, have been less likely than the U.S. to take action directly antagonistic to the PRC.

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<sup>59</sup>*Ibid.*

<sup>60</sup>For background, see among others, *China in World Affairs--Background, Prospects and Implications for the U.S.*, by Robert Sutter, CRS Report 92-747S, October 1, 1992, 28 p.

Many believe the Chinese also need to restrain any expansionist intent because their neighbors, backed by the United States, have become particularly vigilant in monitoring Chinese military moves. Some have called for countermeasures. Over the past year, Chinese leaders have reacted defensively to media and official charges in the region and the West about China's emerging military threat. They have gone to considerable lengths in high level meetings and visits to the East Asian region to reassure those concerned with China's intentions, especially regarding the disputed islands in the South China Sea. Chinese officials express worry publicly and privately that critics in the region and the West will use recent interest in Asian regional security arrangements to set up an international alignment directed at the Chinese threat. Clearly seeing such a trend as adverse to broader Chinese interests, Beijing in 1993 avoided repetition of some of the assertive actions it took in the South China Sea in 1992.<sup>61</sup>

## ASSESSMENT

Factors arguing in favor of and against viewing China as a military threat show that the main danger to U.S. interests over the next few years focuses on areas in the Asian-Pacific region around China's periphery where China and other countries important to the U.S. contest territorial claims. (China's current military capabilities generally show little sign of China's posing a direct threat to the United States for a decade or longer.)

Perceived Chinese expansionist designs to control contested areas which China claims around its periphery are currently held in check by limitations in PLA capabilities; insufficient justification in terms of important Chinese security, economic or political interests; and the likely negative foreign reaction to an assertive Chinese action.

Each of these factors is subject to change. An important case in point for the United States involves Taiwan, an area of longstanding importance for U.S. economic, political and security interests. For many years, PRC leaders have seen little to be gained in resorting to force in order to assert their claim to the island. They have repeatedly warned, however, that Beijing would not hesitate to use force in response to changed conditions, such as a challenge to China's claimed sovereignty posed by a formal Taiwan declaration of independence. In the past, the ruling Nationalist Party in Taiwan strongly adhered to a "one-China" policy and ruled in an authoritarian fashion against advocates of Taiwan independence. Political democratization in Taiwan in recent years has seen a weakening of Nationalist Party rule and the rise of a growing political opposition formally dedicated to seeking Taiwan independence. Circumstances could arise in the not-too-distant future where a government in Taiwan might declare independence--a formal challenge to Beijing's claim of sovereignty that

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<sup>61</sup>On Chinese defensiveness, see among others, *Defense News*, June 28-July 4, 1993, p. 4, 37.



in turn might greatly increase the likelihood of forceful military action (e.g. blockade) against the island.<sup>62</sup>

Of more immediate concern to observers in Asia and the West is the potential for further Chinese expansion in disputed areas of the South China Sea. Most notably, China, Taiwan and Vietnam claim the entire collection of islets and reefs known as the Spratly Islands, while Malaysia and the Philippines have claims to parts of the territory (see map). All the countries maintain armed forces on some of the islets. At present, the PLA has sufficient military capabilities to expand its territorial holdings, especially in areas currently held or claimed by Vietnam. Beijing continues methodically to increase capabilities (e.g. building airstrips) that would allow China to deploy forces sufficient to establish air and sea control around disputed islets or reefs. A strategic rationale for Chinese actions is provided by the fact that the region is located along sea lines of communications of importance to China. It may contain important oil and gas reserves useful for China's economic modernization, while a successful military operation to assert Chinese nationalistic claims would presumably redound to the domestic political benefit of leaders in Beijing.<sup>63</sup>

The main deterrent to Chinese expansion at present appears to be Chinese leaders' concern with foreign reaction. Assertive Chinese claims, aggressive military patrolling and provocative oil exploration activities in early 1992 generated substantial negative foreign reaction. Over the past year, Chinese leaders have taken pains to reassure important Asian leaders and those western leaders interested in the area regarding China's allegedly benign intentions. Presumably this reflected a Chinese calculus to avoid stirring up a level of alarm that could lead to economic sanctions, political-military alignments or other actions designed to contain and check Chinese expansion.

China has been concerned to avoid direct U.S. intervention in this dispute. U.S. interests are less directly involved in this area than in Taiwan, but U.S. leaders in the Bush Administration in 1992 went out of their way to strongly emphasize American interests in the peaceful resolution of these problems. The implication was left that the U.S. might take unspecified actions against those (mainly China) seen to be taking assertive actions threatening peace in the region.

If China succeeds in neutralizing or distracting foreign attention, Beijing may see advantage in moving aggressively in the region once again. China has

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<sup>62</sup>The current and prospective military balance in the Taiwan Strait argues against direct PRC assault on the island--Taiwan's defenses are strong. A blockade, relying on Beijing's superiority in submarines, is seen as more likely. See among others Parris Chang and Martin Lasater, *If China Crosses the Taiwan Strait*, University Press of America, 1993.

<sup>63</sup>See review of this controversy in East Asia: Disputed Islands and Offshore Claims--Issues for U.S. Policy, Robert Sutter, CRS Report 92-614S, July 28, 1992, 15 p.

already won over Malaysia's Prime Minister to a publicly benign view of China's intentions and has also reassured Philippine leaders to some degree.<sup>64</sup> Beijing is also well aware that some observers in Asia and the West would see their emerging economic and other relations with China as of more importance than their interests in the Spratly Islands. Advocates of an assertive Chinese approach thus might see foreign reaction as welcoming the "stabilizing" role of China in this disputed region, after an initial period of some criticism of PRC military actions.

In addition to the cases of Taiwan and the Spratly Islands, circumstances could arise in other areas around China's periphery that could prompt assertive Chinese behavior contrary to U.S. interests. Thus, for example, the U.S. has a general interest in the peace and stability of the newly formed Central Asian republics. Chinese leaders from time to time suspect that these countries harbor elements or promote policies supportive of minority dissidents resisting Chinese rule in western China. Beijing may choose to use force across international borders in order to defend against this perceived danger. A much more important U.S. interest involves the defense alliance with Japan. China and Japan occasionally spar over disputed islands located north of Taiwan. If Beijing were to try to assert its claim by force, Japan might call upon its treaty ally, the United States, to intervene.

## INDICATORS OF CHINESE MILITARY THREAT

Several variables or indicators govern the likelihood of more or less assertive Chinese behavior threatening to U.S. interests in peace and stability in the Asian-Pacific region.

### Indicators of increased prospects of threatening Chinese behavior.

- o Emergence of a power vacuum in the Asia-Pacific region. This could provide a greater incentive for Chinese military expansion and reduce negative consequences that might flow from such expansion.

- o Sharp increase in national assertiveness by PRC leaders. This could result from a Chinese leadership power struggle. An ascendant faction might endeavor to use strident nationalistic rhetoric and military actions in order to rally domestic political support.

- o Broad, successful technological modernization of the PLA. A marked increase in PLA capabilities to project power, especially air and naval power, relative to other states in the region would dramatically increase the range of actions Chinese leaders might take in order to assert their nationalistic, territorial claims.

- o Less Chinese dependence on/concern over Asian-Pacific, Western countries. This could come about due to economic success in China. Such success could cause Asian-Pacific and Western countries to judge that they

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<sup>64</sup>Far Eastern Economic Review, August 26, 1993.

needed to cater to China despite Beijing's military threats. Alternatively, if Asian-Pacific and Western countries decide to isolate China (e.g. U.S. withdraw MFN trade privileges), they might move Beijing toward a more autarchic development strategy that reduces China's dependence on economic ties with the outside world and China's concern with international reaction to Chinese military expansion.

- o Actions by groups or leaders around China's periphery seen as challenging fundamental interests of the Chinese state. This could include a Taiwan declaration of independence; substantial Indian support--military equipment, training--for armed Tibetan resistance to Chinese rule; or other possibilities.

#### Indicators of reduced prospects of threatening Chinese behavior

- o Continued Chinese leadership preoccupation with domestic economic, political and social problems. This could give little opportunity to divert resources to controversial expansionist actions.

- o Growing Chinese economic interdependence with Asian-Pacific and Western countries. Dependent on economic modernization for political success, Chinese leaders presumably could not afford to alienate these important sources of economic support.

- o Continued PLA backwardness relative to likely adversaries. This could reinforce caution of PRC leaders, avoiding use of forces where they might be defeated or cause such losses as to embarrass and undermine support for the regime.

- o Strengthened regional efforts to deal with China. On the one hand, this could involve military buildups by countries in the region along with the U.S., and the establishment of multilateral arrangements to put pressure on the Chinese to avoid provocative or disruptive actions. On the other hand, regional arrangements could be designed to include and "engage" the Chinese in a series of mutually supporting discussions and activities. These in turn might persuade the PRC leaders that they had more to gain from working constructively with others concerned with peace and security in the region than by adopting threatening measures upsetting to peace and stability.

### **U.S. POLICY OPTIONS**

U.S. policymakers have a range of unilateral, bilateral and multilateral options for dealing with China's military power. They include positive and negative incentives designed to influence Chinese behavior in ways that enhance regional stability and curb China's potential expansion.

Unilateral. The U.S. military presence helps to maintain stability in the region and avoids the creation of a power vacuum that Beijing might be tempted to fill. There is disagreement in the U.S. over the size and scope of this presence, especially given competing U.S. spending priorities and Asian allies'

ability to provide more for their own defense. The Pentagon's September 1993 Bottom Up Review called for retaining almost 100,000 troops in Asia, based mainly in South Korea and Japan. The U.S. military presence also solidifies U.S. relations with key Asian states (e.g. Japan, Korea) and encourages them to continue to side with the U.S. in the event of serious differences with China over regional security issues.

U.S. arms sales to Asian countries also reassure allies and friends of U.S. resolve and reinforce stability. On the other hand, they are seen as fueling arms races in sensitive areas. In particular, some believe that the U.S. sales of 150 F-16 fighters to Taiwan may provoke a PRC counter effort that will exacerbate tensions and add to regional instability. Others see the sales as needed to reassure friends in Taiwan faced with rising PRC air power.

Bilateral. Positive U.S. incentives include the recent efforts of the Clinton Administration to broaden and heighten U.S. official dialogue with Chinese leaders, including those of the PLA. Through such dialogues, both sides are presumably reassured regarding the military-security actions and intentions of the other, and are less inclined to take drastic action in response. The overall effect is thought to be calming and stabilizing for the Asian-Pacific region.

U.S. engagement with China also may involve interaction in political, economic and other areas that are assumed to make Chinese policymakers more supportive of the international status quo and less prone to disruptive action in Asian and world affairs.

Negative U.S. incentives stem logically from the positive ones. The U.S. has the option to cut back ties important to PRC leaders in response to perceived provocative or threatening Chinese action. Areas most sensitive to China are economic ties, especially access to the U.S. market determined annually by the President with the concurrence of Congress regarding whether or not to grant Most-Favored-Nation trade treatment to Chinese imports to the U.S. China is also keenly interested in U.S. investment and high technology; U.S. policymakers have levers to regulate the flow of such benefits depending in part on Chinese policy and actions in the Asian-Pacific region.

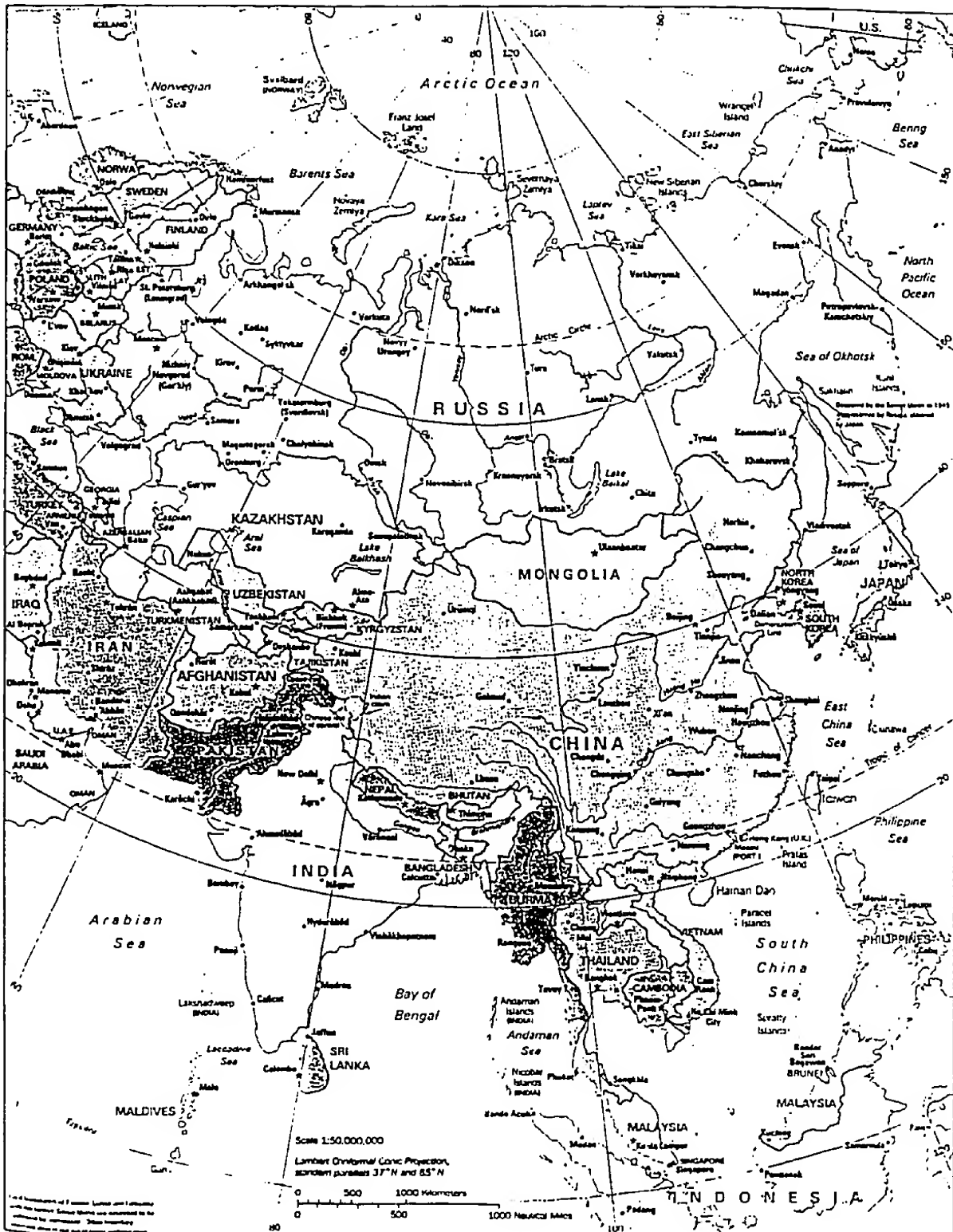
Multilateral; On the positive side, the United States could work more actively with China and other regional powers to reach security arrangements that reassured all parties and enhanced stability. Because of its unique role as the region's only superpower and its perceived importance for all major Asian powers (e.g. Japan, China, Russia), the U.S. can play a catalyst role more effectively than others. Such multilateral engagement with China would presumably have the objective of demonstrating to PRC leaders that their concerns about the intentions of others have been exaggerated and that China has more to gain from a continued cooperative approach toward the region. Forums that presumably could be used in this endeavor include the annual Association of Southeast Asian Nations' (ASEAN) Post-Ministerial dialogue involving most powers in the region. Some suggest the economic forum, Asian-Pacific Economic Cooperation (APEC), which includes more countries, might evolve into a forum useful for regional security questions.

The U.S. also has the option to work with other countries to restrain or check suspected Chinese expansion. The United States has considerable influence with Russia, Israel and European countries and presumably could encourage them to curb sales of sensitive equipment to China. Multilateral export controls (e.g. COCOM) still exist to curb sensitive sales to China. U.S. allies and longstanding friends along the periphery of Asia also could be expected to work closely with the United States in the event that China challenged regional stability with expansionist military activity in the South China Sea or elsewhere. In particular, China remains heavily dependent on aid from Japan and from international financial institutions led by Japan and the U.S. Adroit use of this aid might provide the allies with powerful leverage in dissuading Chinese leaders from military assertiveness.

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MAP 1

# Asia



## SPRATLY ISLANDS DISPUTE

